

## Message Text

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ORIGIN EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-09 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03

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DRAFTED BY EB/TT/MA:REJOHE:EW

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EA/ANP:HLANGE (INFO)

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R 022304Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

USMISSION EC BRUSSELS

AMEMBASSY HELSINKI

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MONROVIA

USMISSION OECD PARIS

AMEMBASSY OSLO

AMEMBASSY PANAMA

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

INFO AMEMBASSY CANBERRA

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E.O. 11652:N/A

TAGS: EWWT, AS

SUBJECT:PRESENTATION OF USG AIDE-MEMOIRE TO GOVERNMENT OF AUSTRALIA ON OIL CARGO PREFERENCE MEASURES

ON MAY 8, THE AMERICAN EMBASSY IN CANBERRA WILL PRESENT AN AIDE-MEMOIRE TO THE GOVERNMENT OF AUSTRALIA IN RE CARGO PREFERENCE MEASURES. THE SUBSTANCE OF THAT AIDE-MEMOIRE IS HEREIN REPEATED FOR YOUR INFORMATION. TEXT FOLLOWS:

THE EMBASSY OF THE UNITED STATES OF AMERICA WISHES TO EXPRESS THE CONCERN OF THE UNITED STATES GOVERNMENT OVER THE AUSTRALIAN GOVERNMENT ANNOUNCED POLICY TO REQUIRE THAT UP TO 40 PERCENT OF AUSTRALIAN CRUDE OIL AND PETROLEUM PRODUCT IMPORTS BE TRANSPORTED ON AUSTRALIAN OWNED, REGISTERED AND CREWED VESSELS.

THE UNITED STATES GOVERNMENT APPRECIATES THAT A NUMBER OF COUNTRIES HAVE IMPLEMENTED VARIOUS TYPES OF RESTRICTIVE PREFERENCE MEASURES COVERING GENERAL AND BULK COMMERCIAL CARGOES. MOREOVER, IT IS AWARE THAT SOME PETROLEUM PRODUCING NATIONS HAVE OR ARE CONSIDERING OIL CARGO PREFERENCE AS A MEANS TO EXPAND OR CREATE NATIONAL FLAG TANKER FLEETS. SUCH RESTRICTIVE PRACTICES HAVE ADVERSE STRATEGIC AND ECONOMIC IMPLICATIONS THAT SIMPLY CANNOT BE

IGNORED. SIMILAR ACTION BY THE AUSTRALIAN GOVERNMENT CAN ONLY HELP BUT ENCOURAGE MORE COUNTRIES TO EITHER EXPAND EXISTING MEASURES OR UNDERTAKE LIKE PRACTICES.

THE AUSTRALIAN GOVERNMENT MAY BE AWARE THE UNITED STATES CONGRESS PASSED LEGISLATION (ENERGY TRANSPORTATION SECURITY ACT, 1974) WITH A SIMILAR PURPOSE TO THAT ANNOUNCED BY THE AUSTRALIAN GOVERNMENT, I.E., RESERVING A PERCENTAGE OF COMMERCIAL U.S. PETROLEUM IMPORTS FOR AMERICAN FLAG VESSELS. THE LEGISLATION, HOWEVER, WAS VETOED BY PRESIDENT FORD. IN DOING SO, THE PRESIDENT STRESSED THAT AN OIL CARGO PREFERENCE POLICY WOULD RESULT IN A LOSS OF EFFICIENCY BY LIMITING COMPETITION, LIMITED OFFICIAL USE

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INCREASE COSTS, AND PRODUCE UNDESIRABLE EFFECTS WHICH COULD EXTEND INTO OTHER AREAS AND INDUSTRIES. IN ADDITION TO THIS ADVERSE IMPACT ON THE UNITED STATES DOMESTIC ECONOMY, THE LEGISLATION WAS CONSIDERED BY THE PRESIDENT TO HAVE SERIOUS IMPLICATIONS FOR INTERNATIONAL TRADING RELATIONSHIPS. IT COULD ENCOURAGE OTHER COUNTRIES TO ENACT SIMILAR LEGISLATION OR TO INCREASE PROTECTION OF THEIR INDUSTRIES, WHICH WOULD

RESULT IN A SERIOUS DETERIORATION IN BENEFICIAL INTERNATIONAL COMPETITION AND TRADE. MOREOVER, THE LEGISLATION WOULD HAVE BEEN DIRECTLY CONTRARY TO THE UNITED STATES COMMITMENT TO SEEK FURTHER LIBERALIZATION OF WORLD TRADE RELATIONS.

THE UNITED STATES GOVERNMENT BELIEVES CONSIDERATIONS SUCH AS THESE SHOULD BE OF EQUAL CONCERN TO THE AUSTRALIAN GOVERNMENT. IN THIS REGARD, IT IS NOTED THAT THE GOVERNMENT OF AUSTRALIA HAS ASSUMED A SIMILAR COMMITMENT BY REASON OF ITS BEING A PARTY TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE, THE OECD CODE OF LIBERALIZATION OF CURRENT INVISIBLE OPERATIONS, AND THE OECD TRADE PLEDGE.

THE UNITED STATES GOVERNMENT HOPES THAT THE GOVERNMENT OF AUSTRALIA WILL GIVE CAREFUL CONSIDERATION TO THE IMPLICATIONS OF ITS CARGO PREFERENCE POLICY FOR THE HEALTH AND EFFICIENCY OF INTERNATIONAL SEABORNE TRADE. END TEXT. KISSINGER

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